THE INDIANAPOLIS LOCAL PUBLIC IMPROVEMENT BOND BANK

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

December 31, 2012 and 2011

THE INDIANAPOLIS LOCAL PUBLIC IMPROVEMENT BOND BANK

CONTENTS

SOMERSET
CPAs

3925 River Crossing Parkway, Third Floor
Post Office Box 40368
Indianapolis, Indiana 46240-0368

Tel: 317.472.2200 - 800.469.7206
Fax: 317.208.1200
www.somersetcpas.com

Independent Auditors' Report

Board of Directors
THE INDIANAPOLIS LOCAL PUBLIC IMPROVEMENT BOND BANK
Indianapolis, Indiana

Report on the Financial Statements

We have audited the accompanying statements of net position of THE INDIANAPOLIS LOCAL PUBLIC IMPROVEMENT BOND BANK (the Bond Bank), as of December 31, 2012 and 2011, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Bond Bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bond Bank's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material aspects, the financial position of THE INDIANAPOLIS LOCAL PUBLIC IMPROVEMENT BOND BANK, as of December 31, 2012, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Information

The Management's Discussion and Analysis presented on pages 3 to 7 is not a required part of the basic financial statements, but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information; however, we did not audit the information and express no opinion on it.

Somerset CPAs PC

SOMERSET CPAS, PC
June 5, 2013

THE INDIANAPOLIS LOCAL PUBLIC IMPROVEMENT BOND BANK

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of The Indianapolis Local Public Improvement Bond Bank (Bond Bank), we offer readers of the Bond Bank's financial statements this narrative overview and analysis of the financial activities of the Bond Bank for the fiscal year ended December 31, 2012. All amounts, unless otherwise indicated, are expressed in thousands of dollars and are approximate.

FINANCIAL HIGHLIGHTS

For 2012, revenues exceeded expenses by $30K, which is reflected in the increase in net position.

Total assets decreased from $5.44 billion at December 31, 2011 to $5.04 billion at December 31, 2012. This is a decrease of approximately $400 million. This decrease occurred primarily in unrestricted cash equivalents, restricted cash equivalents, and loans receivable.

During 2012, the Bond Bank issued $128.55 million in new and refunding bonds. The Bond Bank's Series 2012 A bonds accounted for $3.10 million of the new bonds issued. The proceeds of Series 2012 A bonds were used to refund the 2002 C bonds and continue to fund the Indianapolis Public Transportation Corporation. The Bond Bank's Series 2012 B bonds accounted for $43.97 million of the new bonds issued. The proceeds of Series 2012 B bonds were used to fund the Marion County Convention Recreation Facility Authority (MCCRFA) improvements. The Bond Bank's Series 2012 F bonds accounted for $2.72 million of the new bonds issued. The proceeds of Series 2012 F bonds were used to refund the 2007 D notes and continue to fund the Redevelopment District's Ertel Project. The Bond Bank's Series 2012 H bonds accounted for $46.85 million of the new bonds issued. The proceeds of Series 2012 H bonds were used to refund the 2003 A bonds and continue to fund the Indianapolis Airport Authority's Midfield Terminal Project. The Bond Bank's Series 2012 I bonds accounted for $7.69 million of the new bonds issued. The proceeds of Series 2012 I bonds were used to refund the 2004 B bonds and continue to fund the Economic Development District's Circle Block Project. The Bond Bank's Series 2012 J bonds accounted for $16.72 million of the new bonds issued. The proceeds of Series 2012 J bonds were used to refund the 2004 C bonds and continue to fund the Economic Development District's Circle Block Project. The Bond Bank's Series 2012 K bonds accounted for $7.50 million of the new bonds issued. The proceeds of Series 2012 K bonds were used to fund the Economic Development District's Mainstreet Project.

The Bond Bank issued $15.20 million in new notes payable during 2012. The Bond Bank's Series 2012 A Notes accounted for all of the $15.20 million of the new notes issued. The proceeds of Series 2012 A Notes were used to fund the AUL / One America Garage improvements.

During 2012, the Bond Bank refunded bonds of $98.03 million. In addition, the Bond Bank made principal payments of $238.79 million on bonds payable and $8.80 million on notes payable.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the Bond Bank's basic financial statements. The Bond Bank is an instrumentality of the City of Indianapolis and is maintained as a Proprietary Fund. Proprietary Funds are used to report any activities for which income fees are charged to external users for goods and services. In addition, Proprietary Funds must be used in situations where debt is backed solely by fees and charges.

A Proprietary Fund is accounted for in a manner similar to a commercial enterprise on the accrual basis of accounting. Bond Bank's financial statements include statements of net position, statements of revenues, expenses and changes in net position, statements of cash flows, and the notes to the financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

All information included in this discussion and analysis is presented for the three most recent fiscal years to provide the opportunity for comparison between the years.

The *statements of net position* present information on all of the Bond Bank's assets and liabilities, with the difference between the two reported as net position.

The *statements of revenues, expenses and changes in net position* present information showing how the Bond Bank's net position changed during each year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

In contrast, the *statements of cash flows* are concerned solely with flows of cash and cash equivalents. Transactions are recorded when cash is received or exchanged, without concern of when the underlying event causing the transactions occurred.

These financial statements can be found on pages 9 to 11 of this report.

The *notes to the financial statements* provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 12 to 35 of this report.

FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of an entity's financial position. In the case of the Bond Bank, assets exceeded liabilities by $3.62 million at the close of the most recent fiscal year.

The Indianapolis Local Public Improvement Bond Bank's Net Position
(In Thousands of Dollars)

		December 31,	
	2012	**2011**	**2010**
Current assets	$ 750,994	$1,007,554	$1,408,053
Noncurrent assets	4,284,355	4,429,527	4,532,172
Total Assets	$5,035,349	$5,437,081	$5,940,225
Current liabilities	$ 743,440	$ 997,777	$1,369,561
Long-term liabilities	4,288,291	4,435,719	4,568,563
Total Liabilities	$5,031,731	$5,433,496	$5,938,124
Net position	$ 3,618	$ 3,585	$ 2,101

Typically, loans receivable have increased year to year, as the Bond Bank continues to issue debt funding the projects of the qualified entities. As new and existing projects are undertaken and completed, additional bonds are issued on behalf of the qualified entities to fund the projects. But in 2011, several bond and note issues were closed out with Citizens Energy Group's purchase of the City of Indianapolis' Department of Waterworks. And in 2012, the amount of new bonds and notes issued during the year was somewhat tempered by the considerable bond balances refunded via several of those new issuances. As a result, loans receivable and bonds payable decreased in both 2011 and 2012.

FINANCIAL ANALYSIS (CONTINUED)

The Indianapolis Local Public Improvement Bond Bank's
Statements of Revenue, Expenses and Changes in Net Position
(In Thousands of Dollars)

	Year Ended December 31, 2012	2011	2010
Operating Revenues:			
Interest-investments	$ 201,456	$ 217,732	$218,516
Fees	3,498	4,054	3,425
Total Operating Revenues	204,954	221,786	221,941
Operating Expenses:			
Interest	193,012	202,330	213,497
Amortization of debt issuance costs	7,371	13,884	5,231
Administrative costs	1,661	917	1,128
Total Operating Expenses	202,044	217,131	219,856
Operating Income	2,910	4,655	2,085
Other Financing Uses	(2,877)	(3,171)	(1,219)
Increase in net position	33	1,484	866
Net Position:			
Beginning of Year	3,585	2,101	1,235
End of Year	$ 3,618	$ 3,585	$ 2,101

The Bond Bank's net position increased by approximately $33K during the current fiscal year. Key elements of this increase are as follows:

Total operating revenues decreased by $16.83 million. Interest income is received on loans receivable, as well as other investments, and decreased $16.28 million. Operating fees decreased by $0.55 million.

Total operating expenses decreased by $15.09 million. Interest expense on bonds payable decreased $9.32 million. The remainder of the operating expenses consists of amortization on bond related cost of issuance, administrative expenses, trustee fees and professional fees and decreased $5.77 million.

Total other financing uses decreased by $0.29 million.

DEBT ADMINISTRATION

Long-term Debt: At the end of the current fiscal year, the Bond Bank had bonds and notes payable net of premium/discount of approximately $4.44 billion. The bonds and notes payable are secured by specified revenue sources.

The Indianapolis Local Public Improvement Bond Bank's Outstanding Debt
(In Thousands of Dollars)

	December 31, 2012	2011	2010
Bonds payable	$4,397,386	$4,510,953	$4,612,150
Note payable	44,122	37,726	88,852

During 2012, the Bond Bank issued $128.55 million in new and refunding bonds and $15.20 million in new notes payable.

Following is a summary of the new bonds and notes issued in the current fiscal year.

Bond Series 2012 A ($3,100,000) was used to refund the outstanding principal amounts of the Indianapolis Local Public Improvement Bond Bank Bonds, Series 2002 C, as well as to purchase the Indianapolis Public Transportation Corporation General Obligation Bonds, Series 2012. A portion of the proceeds was used to pay the cost of issuance of the Series 2012 A Bonds as well as certain program expenses of the Bond Bank.

Bond Series 2012 B ($43,970,000) was used to purchase the Marion County Convention and Recreational Facilities Authority (MCCRFA) Excise Taxes Lease Rental Revenue Refunding Senior Bonds, Series 2012 A. A portion of the proceeds was used to pay the cost of issuance of the Series 2012 B Bonds as well as certain program expenses of the Bond Bank.

Bond Series 2012 F ($2,715,000) was used to refund the outstanding principal amounts of the Indianapolis Local Public Improvement Bond Bank Notes, Series 2007 D, as well as to purchase the City of Indianapolis, Indiana Redevelopment District Tax Increment Revenue Bonds, Series 2012 A (Ertel Project). A portion of the proceeds was used to fund a debt service reserve account and pay the cost of issuance of the Series 2012 F Bonds as well as certain program expenses of the Bond Bank.

Bond Series 2012 H ($46,850,000) was used to refund the outstanding principal amounts of the Indianapolis Local Public Improvement Bond Bank Bonds, Series 2003 A, as well as to purchase the Indianapolis Airport Authority Refunding Revenue Bonds, Series 2012 A. A portion of the proceeds was used to pay the cost of issuance of the Series 2012 H Bonds as well as certain program expenses of the Bond Bank.

Bond Series 2012 I ($7,690,000) was used to refund the outstanding principal amounts of the Indianapolis Local Public Improvement Bond Bank Bonds, Series 2004 B, as well as to purchase the City of Indianapolis, Indiana Economic Development District Taxable Special Program Refunding Bonds, Series 2012 I (Circle Block Project). A portion of the proceeds was used to fund a debt service reserve account and pay the cost of issuance of the Series 2012 I Bonds as well as certain program expenses of the Bond Bank.

Bond Series 2012 J ($16,725,000) was used to refund the outstanding principal amounts of the Indianapolis Local Public Improvement Bond Bank Bonds, Series 2004 C, as well as to purchase the City of Indianapolis, Indiana Economic Development District Special Program Refunding Bonds, Series 2012 J (Circle Block Project). A portion of the proceeds was used to fund a debt service reserve account and pay the cost of issuance of the Series 2012 J Bonds as well as certain program expenses of the Bond Bank.

DEBT ADMINISTRATION (CONTINUED)

Bond Series 2012 K ($7,500,000) was used to purchase the City of Indianapolis, Indiana Economic Development District Revenue Bonds, Series 2012 (Mainstreet Project). A portion of the proceeds was used to fund bond interest and debt service reserve accounts and pay the cost of issuance of the Series 2012 K Bonds as well as certain program expenses of the Bond Bank.

Note Series 2012 A ($15,200,000) was used to purchase the City of Indianapolis, Indiana Economic Development District Tax Increment Revenue Bond Anticipation Notes, Series 2012 A. A portion of the proceeds was used to pay the cost of issuance of the Series 2012 A Notes as well as certain program expenses of the Bond Bank.

OTHER SIGNIFICANT MATTERS

In 2011, there was a significant matter concerning the Citizens Energy Group transaction. See Note 11 for disclosed details.

The GASB issued Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", and is effective for periods beginning after December 15, 2011. This standard brings current guidance in line with Concepts Statement 4 which identifies 5 elements that make up a statement of financial position:

- Assets
- Liabilities
- Deferred outflows of resources
- Deferred inflows of resources
- Net position

This differs from the composition previously required by Statement 34 which required the presentation of assets, liabilities, and net assets. We have applied this statement retroactively as required and all prior periods have been revised to conform with current presentation requirements.

Additionally, in March 2012, the GASB issued Statement No. 65, "Items Previously Reported as Assets and Liabilities", and is intended to complement Statement No. 63. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows or inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows or inflows of resources, certain items that were previously reported as assets and liabilities. For governmental entities, the amendments in this Statement are effective for the first period beginning on or after December 15, 2012. Accounting changes adopted to conform to this Statement's provisions should be applied retroactively by restating the financial statements for all periods presented. If restatement is not practical, the cumulative effect of applying this Statement, if any, should be reported as a restatement of beginning net position, as appropriate, for the earliest period restated.

As a result of applying this amendment, current refundings and advance refundings resulting in defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt should be reported as a deferred outflow of resources or a deferred inflow of resources and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter.

OTHER SIGNIFICANT MATTERS (CONTINUED)

In addition, an entity will no longer capitalize and amortize debt issuance costs incurred, but record these costs in the current period as a deferred outflow (expense). Bond issuance costs newly incurred should be expensed in the year incurred, prospectively. Additional disclosure is required under this Statement in the period first applied. The impact of adopting this Statement will be a reduction of unamortized bond issuance costs of approximately $51.94M and an offsetting reduction in the net bond discount or premium in a similar amount, as well as a reduction in the annual amortization of all the above, approximating a net $945K in income for the year ended December 31, 2012.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Bond Bank’s finances. Questions concerning any of this information should be addressed to The Indianapolis Local Public Improvement Bond Bank, 200 East Washington Street, Suite 2342, Indianapolis, IN 46204.

THE INDIANAPOLIS LOCAL PUBLIC IMPROVEMENT BOND BANK

STATEMENTS OF NET POSITION
December 31, 2012 and 2011

	2012	2011
ASSETS		
Current Assets:		
Cash and equivalents	$ 3,916,638	$ 5,435,888
Cash and equivalents-restricted	474,921,010	763,301,603
Interest receivable	86,204,935	91,694,408
Investments held by trustee, at fair value	17,236,319	17,236,319
Loans receivable from qualified entities	166,784,856	128,467,471
Receivables and advances to qualified entities-net of allowance for doubtful accounts of $0 in 2012 and 2011	1,581,450	1,083,869
Prepaid expenses and other assets	349,042	334,492
Total Current Assets	750,994,250	1,007,554,050
Noncurrent Assets:		
Investments held by trustee, at fair value		
Loans receivable	4,219,011,453	4,358,059,958
Deferred debt issuance costs-net of accumulated amortization of $79,490,866 in 2012 and $72,119,673 in 2011	51,541,540	57,320,416
Other assets	13,802,008	14,146,830
Total Noncurrent Assets	4,284,355,001	4,429,527,204
TOTAL ASSETS	$ 5,035,349,251	$ 5,437,081,254
DEFERRED OUTFLOWS OF RESOURCES		
Accumulated decrease in fair value of hedging derivative	13,802,008	14,146,830
LIABILITIES		
Current Liabilities:		
Interest payable	$ 86,125,553	$ 91,714,541
Accounts payable and accrued expenses	153,177	126,523
Funds held for qualified entities	490,142,807	778,829,732
Notes payable-current	24,583,118	8,803,838
Bonds payable-current	142,435,738	118,302,633
Total Current Liabilities	743,440,393	997,777,267
Noncurrent Liabilities:		
Notes payable	19,538,703	28,921,821
Bonds payable	4,254,950,163	4,392,650,176
Derivative instrument - rate swap	13,802,008	14,146,830
Total Noncurrent Liabilities	4,288,290,874	4,435,718,827
Total Liabilities	5,031,731,267	5,433,496,094
DEFERRED INFLOWS OF RESOURCES		
Accumulated increase in fair value of hedging derivative	13,802,008	14,146,830
NET POSITION	$ 3,617,984	$ 3,585,160

See accompanying notes.

THE INDIANAPOLIS LOCAL PUBLIC IMPROVEMENT BOND BANK

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Years Ended December 31, 2012 and 2011

	2012	2011
OPERATING REVENUES		
Interest	$ 201,455,859	$ 217,732,188
Fees	3,498,045	4,054,047
Total Operating Revenues	204,953,904	221,786,235
OPERATING EXPENSES		
Interest	193,011,899	202,330,046
Amortization of debt issuance costs	7,371,193	13,883,741
Administrative costs	1,661,155	916,947
Total Operating Expenses	202,044,247	217,130,734
OPERATING INCOME	2,909,657	4,655,501
OTHER FINANCING USES		
Allowance and expenditures for the City	2,373,470	2,375,378
Allowance and expenditures for Union Station	503,363	795,892
Total Other Financing Uses	2,876,833	3,171,270
INCREASE IN NET POSITION	32,824	1,484,231
NET POSITION		
Beginning of Year	3,585,160	2,100,929
End of Year	$ 3,617,984	$ 3,585,160

See accompanying notes.

THE INDIANAPOLIS LOCAL PUBLIC IMPROVEMENT BOND BANK

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2012 and 2011

	2012	2011
OPERATING ACTIVITIES		
Fees received	$ 3,498,045	$ 4,054,047
Cash receipts (payments) from (for) salaries, admin & other exps	(2,146,632)	1,266,505
Net Cash Provided by Operating Activities	1,351,413	5,320,552
INVESTING ACTIVITIES		
Maturities of loans to qualified entities	247,492,471	712,741,103
Issuance of loans to qualified entities	(146,761,351)	(596,118,669)
Decrease in restricted cash and equivalents	288,380,593	368,756,350
Interest received on loans and investments	206,945,332	237,645,421
Net Cash Provided by Investing Activities	596,057,045	723,024,205
NON-CAPITAL FINANCING ACTIVITIES		
Proceeds from debt issuance	140,425,725	561,206,087
Debt issuance costs	(1,592,317)	(8,481,503)
Principal payments to reduce indebtedness	(247,596,471)	(713,530,103)
Transfers and expenditures for qualified entities	(291,563,758)	(343,099,577)
Interest paid on bonds and note payable	(198,600,887)	(222,282,171)
Net Cash Used by Non-Capital Financing Activities	(598,927,708)	(726,187,267)
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	(1,519,250)	2,157,490
CASH AND EQUIVALENTS		
Beginning of Year	5,435,888	3,278,398
End of Year	$ 3,916,638	$ 5,435,888
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	$ 2,909,657	$ 4,655,501
Adjustments to reconcile operating income to net cash provided by operating activities:		
Amortization of debt issuance costs	7,371,193	13,883,741
Change in prepaid expenses and other assets	(512,131)	2,314,554
Change in accounts payable	26,654	(131,102)
Interest income	(201,455,859)	(217,732,188)
Interest expense	193,011,899	202,330,046
Net Cash Provided by Operating Activities	$ 1,351,413	$ 5,320,552

See accompanying notes.

THE INDIANAPOLIS LOCAL PUBLIC IMPROVEMENT BOND BANK

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations: The Indianapolis Local Public Improvement Bond Bank (the Bond Bank) was created in 1985 under applicable State of Indiana statutes. The Bond Bank is an instrumentality of the City of Indianapolis (City) but is not a City agency and has no taxing power. It has separate corporate and sovereign capacity and its board is composed of five directors appointed by the Mayor of the City.

The Bond Bank is authorized to buy and sell securities for the purpose of providing funds to the following qualified entities:

- City of Indianapolis, including all special taxing districts thereof
- Marion County, Indiana
- Health and Hospital Corporation of Marion County
- Indianapolis Public Transportation Corporation
- Indianapolis Airport Authority
- Indianapolis-Marion County Building Authority
- Capital Improvement Board of Managers (of Marion County, Indiana)
- Marion County Convention and Recreational Facilities Authority
- Indianapolis-Marion County Library
- Public Schools Chartered by the Mayor of Indianapolis
- Fort Harrison Reuse Authority
- Citizens Energy Group

The Bond Bank enables the qualified entities to issue debt, in some circumstances, at a lower cost of borrowing and on more favorable terms than would be possible by financing on their own. To accomplish its purpose, the Bond Bank may issue its own bonds or notes. It also has general powers to enter into, make, and perform contracts of every lawful kind to accomplish its purpose.

Bonds and notes are issued by the Bond Bank to provide funds to loan to the qualified entities and are limited obligations of the Bond Bank. They are secured and payable solely from principal and interest payments received by the Bond Bank on loans to qualified entities (evidenced by bonds and notes issued by the qualified entities) that were made from proceeds of the issuance of particular bonds or notes, and in certain issues, from designated funds and earnings held in trust. Owners of the Bond Bank bonds and notes have a claim solely against the payments received on the respective loans to qualified entities made by the Bond Bank with proceeds from the issuance of particular bonds or notes (and other funds held in trust when applicable) and have no claims or rights against any other assets held by the Bond Bank.

Indiana statutes permit the Bond Bank to invest in securities authorized by its respective fiduciary documents. These investments include obligations of the U.S. Treasury and U.S. agencies, commercial paper, certificates of deposit, repurchase agreements, passbook savings, money market deposit accounts, guaranteed investment contracts and negotiable order of withdrawal accounts. Repurchase agreements are required to be fully collateralized by interest-bearing obligations as determined by the current market value computed on the day the agreement is effective.

The Bond Bank was established to develop infrastructure, promote education and tourism, and assist in the economic development of the City of Indianapolis. Accordingly, financial support is provided to certain city initiatives and properties. Such support indirectly maintains the credit rating of the Bond Bank, and helps it achieve its statutory purpose. Board approved financial support expenditures represent support of historical city properties and economic development initiatives. See Note 5 for further details.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation and Accounting: The Bond Bank is accounted for as a Proprietary Fund. A Proprietary Fund is used to account for an operation where periodic determination of revenues earned, expenses incurred, and net income on an accrual basis is appropriate (accrual method). Accordingly, the Bond Bank recognizes revenues in the period earned and expenses in the period incurred.

Pursuant to the Government Accounting Standards Board (GASB), the Bond Bank is required to apply all applicable GASB pronouncements as well as any Accounting Standards Codification issued by the Financial Accounting Standards Board (FASB) on or before November 30, 1989, that do not conflict with or contradict GASB pronouncements. As permitted by GASB, the Bond Bank has elected not to comply with the FASB Statements and Interpretations issued subsequent to November 30, 1989. GASB requires a specific presentation for the Bond Bank's financial statements in addition to the section for Management's Discussion & Analysis as supplementary information to precede the financial statements.

The Bond Bank has adopted GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This pronouncement addresses the recognition, measurement and disclosure of information regarding derivative instruments entered into by state and local governments. Governments utilize derivative financial instruments to manage specific risks or to make investments. Derivative instruments covered within the scope of this Statement are reported at fair value. Changes in fair value of instruments used for investment purposes or that are reported as investment instruments because of ineffectiveness are reported within the Statement of Revenues, Expenses and Changes in Net Position. Hedging derivative instruments with a change in fair value deemed effective are reported in the Statement of Net Position as deferrals. Much of GASB 53 describes the methods of evaluating effectiveness. The derivative instrument issued by the Bond Bank was evaluated, and deemed effective, utilizing the synthetic instrument method. Disclosures required by GASB 53 have been incorporated into this Statement.

Additionally, the Bond Bank reports information regarding its net position according to three components of net position: net investment in capital, restricted and unrestricted. The Bond Bank had only the unrestricted component of net position as of December 31, 2012 and 2011.

Estimates: Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Cash Equivalents: Bond Bank considers all investments in commercial paper, CDs, repurchase agreements, passbook savings and money market deposits with maturities of three months or less to be cash equivalents.

Investments: All investments are reflected at fair value in accordance with GASB. Specifically, money market funds and secured investment agreements are reflected at cost (which approximates fair value) while U.S. Government obligations are based upon quoted market prices. Changes in the fair value of investments are included in the statement of revenues, expenses and changes in net position.

Loans to Qualified Entities: Loans to qualified entities are recorded at cost and adjusted for amortization of discounts/premiums on a basis approximating a constant return rate over the remaining life of the loan.

Deferred Debt Issuance Costs: Costs related to the issuance of debt, including original issue discounts and premiums, are capitalized and amortized over the term of the respective debt issue on a basis that approximates a constant effective interest rate.

Income Taxes: The Bond Bank is exempt from federal and state income taxes.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interest Rate Swap Agreements: The Bond Bank enters into interest rate swap agreements to modify interest rates on outstanding debt. The net interest expenditures resulting from these agreements are recorded in the financial statements. In addition, changes in fair value of instruments used for investment purposes or that are reported as investment instruments because of ineffectiveness are reported within the Statement of Revenues, Expenses and Changes in Net Position. Hedging derivative instruments with a change in fair value deemed effective are reported in the Statement of Net Position as deferrals.

Defeasance of Debt: Subject to specific covenants with bond or note holders, the Bond Bank considers debt to be defeased when cash or other assets are deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on a specific obligation. The related liability and assets held in trust for the related bonds are removed from the financial statements. The difference between the cost of escrowed funds to defease debt and the net carrying amount of defeased debt is amortized as a component of interest expense over the life of the new debt or the defeased debt, whichever is shorter.

Recently Issued Accounting Pronouncements: The GASB issued Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", and is effective for periods beginning after December 15, 2011.

This standard brings current guidance in line with Concepts Statement 4 which identifies 5 elements that make up a statement of financial position:

- Assets
- Liabilities
- Deferred outflows of resources
- Deferred inflows of resources
- Net position

This differs from the composition previously required by Statement 34 which required the presentation of assets, liabilities, and net assets. We have applied this statement retroactively as required and all prior periods have been revised to conform with current presentation requirements.

Additionally, in March 2012, the GASB issued Statement No. 65, "Items Previously Reported as Assets and Liabilities", and is intended to complement Statement No. 63. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows or inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows or inflows of resources, certain items that were previously reported as assets and liabilities. For governmental entities, the amendments in this Statement are effective for the first period beginning on or after December 15, 2012. Accounting changes adopted to conform to this Statement's provisions should be applied retroactively by restating the financial statements for all periods presented. If restatement is not practical, the cumulative effect of applying this Statement, if any, should be reported as a restatement of beginning net position, as appropriate, for the earliest period restated.

As a result of applying this amendment, current refundings and advance refundings resulting in defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt should be reported as a deferred outflow of resources or a deferred inflow of resources and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In addition, an entity will no longer capitalize and amortize debt issuance costs incurred, but record these costs in the current period as a deferred outflow (expense). Bond issuance costs newly incurred should be expensed in the year incurred, prospectively. Additional disclosure is required under this Statement in the period first applied. The impact of adopting this Statement will be a reduction of unamortized bond issuance costs of approximately $51.94M and an offsetting reduction in the net bond discount or premium in a similar amount, as well as a reduction in the annual amortization of all the above, approximating a net $945K in income for the year ended December 31, 2012.

NOTE 2 - CASH AND INVESTMENTS

Proceeds of certain note and bond issues are invested with various banks in their capacity as trustees under trust agreements executed concurrently with the indentures and are pledged to the repayment of certain notes payable and bonds payable. The Bond Bank Act permits funds to be invested as provided in trust indentures executed by the Bond Bank and based on resolutions of its Board of Directors.

The Bond Bank's cash and investments at December 31, 2012, are summarized as follows:

	Cost	**Fair Value**
U.S. Government agency obligations	$ 140,679,139	$ 137,946,815
Money market funds	332,320,195	332,320,195
Commercial Paper	4,529,463	4,654,000
Guaranteed investment contracts	17,236,319	17,236,319
Cash	3,916,638	3,916,638
Total Cash and Investments	$ 498,681,754	$ 496,073,967

The Bond Bank's cash and investments at December 31, 2011, are summarized as follows:

	Cost	**Fair Value**
U.S. Government agency obligations	$ 383,575,076	$ 370,042,975
Money market funds	388,602,628	388,602,628
Commercial Paper	4,530,079	4,656,000
Guaranteed investment contracts	17,236,319	17,236,319
Cash	5,435,888	5,435,888
Total Cash and Investments	$ 799,379,990	$ 785,973,810

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Funds deposited under investment agreements with banks and insurance companies earn a fixed interest rate and generally expire upon extinguishment of the debt issues to which they relate. Funds deposited under investment agreements with banks and insurance companies are unsecured. As of December 31, 2012, the Bond Bank had the following investments and maturities:

		Investment Maturities (in Years)			
Investment Type	**Fair Value**	**Less Than 1**	**1-5**	**6-10**	**More Than 10**
U.S. Government agency obligations	$137,946,815	$101,571,692	$ 36,375,123		
Commercial Paper	4,654,000	4,654,000			
Guaranteed investment contracts	17,236,319	17,236,319			
	$159,837,134	$123,462,011	$ 36,375,123		

Credit Risk Disclosure
The following table provides information on the credit ratings associated with the Bond Bank's investments at December 31, 2012:

Credit Ratings	**S&P**	**Fitch**	**Moody's**	**Fair Value**
U.S. Government agency Obligations	AA+	AAA	Aaa	$ 137,946,815
Lma Sa Lma Americas CP	A-1	NR	P-1	4,654,000
FSA Cap Mgmt Serv LLC GIC	AA-	AAA	Aa3	16,172,359
AIG GIC (US Treasuries held as collateral)	AA+	AAA	Aaa	1,063,960
Total Rated Investments				$ 159,837,134

Concentration of Credit Risk
There are no limits on the amount that may be invested in any one issuer. The following shows an investment in an issuer that represents 5% or more of the total investments at December 31, 2012:

U.S. Government	28%

Funds deposited under secured investment agreements earn fixed interest. At times, a portion of these investments are for the Tax Warrant Program. The agreements allow periodic withdrawals to meet the program's financing needs and expire upon extinguishment of the related Warrant Program note payable.

The Bond Bank's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents. The Bond Bank places 89% of its cash and cash equivalents with primarily two financial institutions. At times, such amounts may be in excess of the FDIC insured limit. The Bond Bank has never experienced any losses related to these balances. All non-interest bearing cash balances were fully insured at December 31, 2012 due to a temporary federal program in effect from December 31, 2010 through December 31, 2012. Under the program, there is no limit to the amount of insurance for eligible accounts. Beginning January 1, 2013, insurance coverage will revert to $250,000 per depositor at each financial institution, and non-interest bearing cash balances may again exceed federally insured limits. Interest-bearing amounts on deposit in excess of federally insured limits at December 31, 2012 and 2011 are $334,236,833 and $391,788,516, respectively.

NOTE 3 - LOANS TO QUALIFIED ENTITIES

All purchases of qualified obligations are authorized by the Board of Directors of the Bond Bank. Prior to being presented to the Board of Directors, an evaluation of each purchase is made by Bond Bank management and independent consultants. Repayment of these obligations by the qualified entities is funded by many sources, including property tax revenues and user fees.

The Bond Bank's loans to qualified entities at December 31, 2012 and 2011, are as follows:

	2012	**2011**
Marion County Convention and Recreational Facilities Authority Bonds of 1991, Series C, maturing January 1, 2013 to 2017, with interest at 5.5%.	$ 60,660,000	$ 70,960,000
Indianapolis-Marion County Building Authority Detention Center Bonds of 1989, maturing December 30, 2012 (but was not paid until January 11, 2013), with interest at 8%.	1,465,000	2,825,000
Health and Hospital Corporation of Marion County Bonds of 1988, Series A, maturing June 30, 2013 to December 30, 2019, with interest at 7.4%.	12,495,000	13,815,000
Indianapolis-Marion County Building Authority Bonds, City of Indianapolis Redevelopment District Tax Increment Revenue Bonds of 1992, Series A, maturing February 1, 2013 to 2014, with interest at 6.75%.	30,510,000	44,010,000
City of Indianapolis Redevelopment District Bonds of 1993, Series A, maturing January 1, 2013, with yields on capital appreciation bonds at 6.3%.	6,365,000	12,730,000
City of Indianapolis Sanitary District Bonds of 1993, Series A, maturing January 1, 2013, with interest at 5.9%.	4,660,000	9,060,000
City of Indianapolis Flood Control District Bonds of 1993, Series A, maturing January 1, 2013, with interest at 5.9%.	925,000	1,795,000
City of Indianapolis Park District Bonds of 1993 Series A, maturing January 1, 2013, with interest at 5.9%.	1,985,000	3,860,000
City of Indianapolis Metropolitan Thoroughfare District Bonds of 1993, Series A, maturing January 1, 2013, with interest at 5.9%.	3,550,000	6,905,000
City of Indianapolis, Parks District Bonds, Series 2007 B, maturing January 1, 2013, with interest at 0%.	100,000	199,000
City of Indianapolis, Metropolitan Thoroughfare District Bonds, Series 2007 B, maturing January 1, 2013, with interest at 0%.179,000	357,000	
City of Indianapolis, Flood Control District Bonds, Series 2007 B, maturing January 1, 2013, with interest at 0%.	47,000	93,000
City of Indianapolis, Sanitary District Bonds, Series 2007 D, maturing January 1, 2013, with interest at 0%.	235,000	468,000

NOTE 3 - LOANS TO QUALIFIED ENTITIES (CONTINUED)

	2012	**2011**
City of Indianapolis Redevelopment District Subordinate Tax Increment Revenue and Refunding Bonds Series 1999 A, maturing February 1, 2017 to 2029, yields on capital appreciation bonds ranging from 5.65% to 5.82%.	$241,640,000	$241,640,000
Citizens Energy Group (formerly City of Indianapolis, Waterworks District) Revenue Bonds, Series 2002 A, maturing January 1, 2013 to 2014, with interest at 5.5%.	12,570,000	19,730,000
Indianapolis Public Transportation Corporation General Obligation Bonds, Series 2002, with interest ranging 4.10% to 5.13%, refunded on February 15, 2012 by the Indianapolis Public Transportation Corporation General Obligation Bonds, Series 2012, representing amounts maturing January 10, 2017.		3,300,000
City of Indianapolis Redevelopment District Annual Appropriation Revenue Bonds, Series 2002, with interest at 3.85%, matured February 1, 2012.		455,000
City of Indianapolis Subordinate District Tax Increment Refunding Bonds Series 2002 B, maturing February 1, 2013 to 2029, with interest ranging from 4.0% to 5.0%.	28,655,000	29,365,000
City of Indianapolis Airport Authority Revenue Bonds, Series 2003 A, with interest ranging from 4.63% to 5.63%, refunded on December 20, 2012 by the Indianapolis Airport Authority Refunding Revenue Bonds, Series 2012 A, representing amounts maturing July 1, 2019.		93,515,000
City of Indianapolis-Marion County Building Authority Arrestee Processing Center Lease Rental Revenue Bonds of 2003, maturing January 15, 2013 to 2023, interest ranging from 3.75% to 5.00%.	8,065,000	8,640,000
City of Indianapolis, Park District Refunding Bonds, Series 2003 A, maturing January 1, 2013 to 2018, with interest at 5.25%.	2,912,000	3,316,000
City of Indianapolis, Metropolitan Thoroughfare District Bonds, Series 2003 A, maturing January 1, 2013 to 2018, with interest at 5.25%.	1,485,000	1,695,000
City of Indianapolis, Metropolitan Thoroughfare District Refunding Bonds, Series 2003 A, maturing January 1, 2013 to 2018, with interest at 5.25%.	5,211,000	5,933,000
City of Indianapolis, Sanitary District Refunding Bonds, Series 2003 A, maturing January 1, 2013 to 2018, with interest at 5.25%.	6,838,000	7,787,000
City of Indianapolis, Flood Control District Refunding Bonds, Series 2003 A, maturing January 1, 2013 to 2018, with interest at 5.25%.	1,354,000	1,544,000
City of Indianapolis IndyRoads Revenue Bonds, Series 2003, maturing January 1, 2013 to 2019, with interest ranging from 3.7% to 5.0%.	10,700,000	12,085,000

NOTE 3 - LOANS TO QUALIFIED ENTITIES (CONTINUED)

	2012	2011
City of Indianapolis, Circle Block Project, Series 2004 B, with interest adjusted weekly, refunded on December 20, 2012 by the City of Indianapolis, Indiana Economic Development District Taxable Special Program Refunding Bonds, Series 2012 I, representing amounts maturing April 1, 2030.		$ 9,400,000
City of Indianapolis, Circle Block Project, Series 2004 C, with interest ranging from 4.00% to 5.38%, refunded on December 20, 2012 by the City of Indianapolis, Indiana Economic Development District Special Program Refunding Bonds, Series 2012 J, representing amounts maturing April 1, 2039.		19,070,000
City of Indianapolis, Fall Creek Project, Series 2004 A, maturing February 1, 2013 to 2028, with interest ranging from 4.3% to 5.4%.	$11,200,000	11,640,000
City of Indianapolis Airport Authority Revenue Bonds, Series 2004 A, maturing January 1, 2013 to 2034, with interest ranging from 4.75% to 5.25%.	197,885,000	201,810,000
City of Indianapolis Simon Notes Series 2004 A, maturing February 1, 2015 to 2017, with interest indexed to LIBOR.	1,353,169	1,353,169
City of Indianapolis Simon Notes Series 2004 B, maturing February 1, 2014, to August 1, 2014, with interest indexed to LIBOR.	6,825,000	6,825,000
City of Indianapolis Simon Notes Series 2004 C, maturing February 1, 2013 to August 1, 2014, with interest indexed to LIBOR.	7,150,000	11,050,000
City of Indianapolis, Pension Bonds of 2005, Series A maturing January 15, 2013 to 2022, with interest ranging from 4.48% to 5.28%.	70,930,000	76,715,000
City of Indianapolis Airport Authority Revenue Bonds, Series 2005 A, maturing January 1, 2023 to 2033, with interest ranging from 4.75% to 5.25%.	197,385,000	197,385,000
Health and Hospital Corporation of Marion County Series 2005, maturing January 1, 2013 to 2025, with interest ranging from 4.35% to 5.25%.	21,940,000	23,190,000
Citizens Energy Group (formally City of Indianapolis Waterworks District) Net Revenue Refunding Bonds, Series 2005 F, maturing January 1, 2013 to 2029, with interest ranging from 4% to 5%.	69,805,000	69,915,000
Citizens Energy Group (formally City of Indianapolis, Waterworks District) Net Refunding Revenue Bonds, Series 2006 A, maturing January 1, 2016 to 2022, with interest at 5.5%.	77,830,000	77,830,000
City of Indianapolis, Facilities Revenue Bonds, Series 2006, maturing January 15, 2013 to July 15, 2021, with interest ranging from 4% to 5%.	11,760,000	12,795,000

NOTE 3 - LOANS TO QUALIFIED ENTITIES (CONTINUED)

	2012	2011
City of Indianapolis, Stormwater District Bonds, Series 2006 A, maturing January 1, 2013 to 2026, interest ranging from 4.25% to 5%.	$ 39,450,000	$ 40,515,000
Indianapolis Airport Authority Revenue Bonds, Series 2006 A, maturing January 1, 2013 to 2037, with interest ranging from 4.70% to 5.25%.	304,575,000	305,255,000
Indianapolis Airport Authority Taxable Airport Revenue Bonds, Series 2006 B, maturing January 1, 2013, with interest at 5.59%.	5,135,000	17,545,000
City of Lawrence, (Fort Harrison Reuse Authority), Fort Harrison Military Base Reuse District Tax Increment Bonds, Series 2006, maturing February 1, 2013 to 2026, with interest ranging from 4% to 5%.	9,085,000	9,570,000
Citizens Energy Group (formally City of Indianapolis, Waterworks District) Net Revenue Refunding Bonds, Series 2007 B, maturing January 1, 2022 to 2025, with interest at 5.25%.	70,410,000	70,410,000
City of Indianapolis, Taxable Economic Development Revenue Bonds, Series 2007 C, maturing June 1, 2013 to 2035, with interest at 5.9%.	71,115,000	71,970,000
City of Indianapolis, Flood Control District Refunding Bonds, Series 2007 A, maturing January 1, 2014 to 2018, with interest at 5%.	5,660,000	5,660,000
City of Indianapolis, Metropolitan Thoroughfare District Refunding Bonds, Series 2007 A, maturing January 1, 2014 to 2018, with interest at 5%.	21,770,000	21,770,000
City of Indianapolis, Park District Refunding Bonds, Series 2007 A, maturing January 1, 2014 to 2018, with interest at 5%.	12,160,000	12,160,000
City of Indianapolis, Sanitary District Refunding Bonds, Series 2007 C, maturing January 1, 2014 to 2018, with interest at 5%.	28,570,000	28,570,000
City of Indianapolis, Redevelopment District Tax Increment Refunding Revenue Bonds, Series 2007 A, maturing February 1, 2013 to 2021, with interest ranging from 4.00% to 4.13%.	6,590,000	7,225,000
City of Indianapolis, Taxable Economic Development Revenue Bonds, 2007 (Glendale Mall), maturing February 1, 2013 to 2027, with interest ranging 5.64% to 6.21%.	4,765,000	4,970,000
City of Indianapolis, Taxable Economic Development Revenue Bonds, Series 2007 (PRF Accelerator), maturing February 1, 2013 to 2023, with interest at 6.2%.	4,255,000	4,520,000
Citizens Energy Group (formally City of Indianapolis, Waterworks District) Net Revenue Bonds, Series 2007 A, maturing January 1, 2026 to 2027, with interest at 4.75%.	1,500,000	1,500,000

NOTE 3 - LOANS TO QUALIFIED ENTITIES (CONTINUED)

	2012	**2011**
Citizens Energy Group (formally City of Indianapolis, Waterworks District) Net Revenue Bonds, Series 2007 B, maturing January 1, 2013 to 2038 with interest ranging 3.75% to 5.25%.	$ 97,880,000	$100,205,000
Facilities Revenue Bonds of 2007, maturing January 15, 2013 to July 15, 2021, with interest ranging 3.75% to 4.13%.	2,565,000	2,800,000
Lighthouse Academies Inc. of Indiana, Charter Schools Financing Notes of 2007, dated March 30, 2007, maturing January 1, 2013 to March 30, 2014, with interest at 4.78%.	3,113,652	3,222,476
City of Indianapolis, Redevelopment Notes of 2007 (Ertel), dated August 30, 2007, with interest at 1.53%, refunded on September 25, 2012 by the City of Indianapolis, Indiana Redevelopment District Tax Increment Revenue Bonds, Series 2012 A, representing amounts maturing August 1, 2020.		4,685,014
City of Indianapolis, Redevelopment District Bonds, Series 2008 A, maturing February 1, 2013 to 2038, with interest ranging from 3.5% to 5.0%.	57,685,000	58,875,000
City of Indianapolis, MECA General Obligation Bonds, Series 2008 B, maturing January 15, 2013 to 2024, with interest ranging from 3.5% to 5.6%.	32,880,000	35,030,000
Indianapolis Public Transportation Corporation Notes of 2008, dated December 18, 2008, maturing December 18, 2013, with interest adjusted annually, not to exceed the LIBOR rate plus 125 basis points, as defined.	5,000,000	5,000,000
Citizens Energy Group (formally City of Indianapolis, Waterworks District) Net Revenue Bonds, Series 2009 A, maturing January 1, 2013 to 2038, with interest ranging from 4.00% to 5.63%.	552,705,000	559,890,000
City of Indianapolis, Redevelopment District Subordinate Tax Increment Revenue Refunding Bonds, Series 2009 A, maturing February 1, 2015 to 2020, with interest rate at 5%.	145,780,000	145,780,000
City of Indianapolis, Redevelopment District Subordinate Taxable Tax Increment Revenue Bonds, Series 2009 B, maturing February 1, 2013 to 2015, with interest ranging from 2.71% to 3.80%.	10,635,000	15,705,000
Fort Harrison Military Base Reuse District Tax Increment Revenue Revenue Bonds, Series 2009, maturing February 1, 2013 to 2026, with interest ranging from 3% to 5%.	9,940,000	10,240,000
City of Indianapolis, Sanitary District Revenue Bonds, Series 2009 A, maturing January 1, 2013 to 2015, with interest ranging from 3% to 4%.	1,500,000	1,965,000

NOTE 3 - LOANS TO QUALIFIED ENTITIES (CONTINUED)

	2012	2011
City of Indianapolis, Redevelopment District Revenue Bonds, Series 2009 A, maturing January 1, 2013 to 2015, with interest ranging from 3% to 4%.	$ 775,000	$ 1,015,000
City of Indianapolis, Flood Control District Revenue Bonds, Series 2009 A, maturing January 1, 2013 to 2015, with interest ranging from 3% to 4%.	525,000	690,000
Indianapolis Public Transportation Corporation Revenue Bonds, Series 2009 A, maturing January 10, 2013 to 2016, with interest ranging from 3% to 4%.	4,835,000	5,965,000
City of Indianapolis, Building Authority Revenue Bonds, Series 2009 A, maturing January 1, 2013 to 2017, with interest ranging from 3.81% to 5.03%.	4,000,000	4,715,000
Indianapolis Local Public Improvement Bond Bank Bonds, Series 2010 A, issued by the Health and Hospital Corporation of Marion County, IN, maturing January 15, 2013 to 2040 with interest ranging from 4% to 6%.	195,000,000	195,000,000
Indianapolis Local Public Improvement Bond Bank Bonds, Series 2010 B, issued by the Indianapolis-Marion County Building Authority, maturing January 15, 2013 to 2040 with interest ranging from 2.00% to 6.12%.	465,580,000	465,580,000
City of Indianapolis, Redevelopment District Tax Increment Revenue Bonds, Series 2010 A, maturing February 1, 2013 to 2025, with interest at 5%.	6,337,967	6,695,601
Indianapolis Local Public Improvement Bond Bank Bonds, Series 2010 A, issued by the City of Indianapolis, IN, maturing February 1, 2015 to 2025, with interest ranging from 3.00% to 5.13%.	17,375,000	17,375,000
City of Indianapolis, Economic Development Tax Increment Revenue Bonds, Series 2010 D, maturing February 1, 2015 to 2035, with interest ranging from 2.60% to 5.15%.	5,045,000	5,045,000
City of Indianapolis, Sanitary District PILOT Revenue Bonds, Series 2010 A, maturing January 1, 2019 to 2040, with interest ranging from 4.13% to 5.00%.	159,515,000	159,515,000
City of Indianapolis, Indianapolis Airport Authority Bonds, Series 2010 L, remarketed October 1, 2012, maturing January 1, 2013 to 2037, bearing interest at a weekly rate, subject to swap agreement (see Notes 7 and 8).	345,970,000	350,000,000
City of Indianapolis, Redevelopment District Tax Increment Revenue Notes, Series 2010 B, maturing February 1, 2013 to August 1, 2030, with interest at 3.75%.	2,980,000	3,090,000

NOTE 3 - LOANS TO QUALIFIED ENTITIES (CONTINUED)

	2012	2011
City of Indianapolis, Redevelopment District Limited Recourse Notes, Series 2010 A, maturing July 30, 2015, with interest at 3.92%.	$ 2,500,000	$ 2,500,000
City of Indianapolis, Economic Development Revenue Bonds, Series 2011 A, maturing February 1, 2021 to 2036, with interest at 5.25%.	81,640,000	81,640,000
City of Indianapolis, Economic Development Taxable Revenue Bonds, Series 2011 B, maturing February 1, 2015 to 2021, with interest ranging from 2.91% to 4.81%.	15,310,000	15,310,000
City of Indianapolis, Redevelopment District Tax Increment Revenue Multipurpose Bonds, Series 2011 A, maturing February 1, 2013 to August 1, 2024, with interest ranging from 3% to 5%.	37,475,000	38,710,000
Marion County Convention and Recreational Facilities Authority (MCCRFA) Excise Taxes Lease Rental Revenue Refunding Senior Bonds, Series 2011 A, maturing June 1, 2013 to 2021, with interest ranging from 3% to 5%.	35,035,000	35,035,000
Citizens Energy Group (formally City of Indianapolis Waterworks District) Net Revenue Bonds, Series 2011 A, maturing January 1, 2013 to 2041, with interest ranging from 3.00% to 5.13%.	58,190,000	58,790,000
City of Indianapolis, Economic Development Tax Increment Revenue Bonds, Series 2011 C, maturing February 1, 2015 to 2036, with interest ranging from 3.00% to 5.75%.	25,425,000	25,425,000
City of Indianapolis, Stormwater District Bonds, Series 2011, maturing January 1, 2013 to 2041, with interest at 3.58%.	16,445,000	16,570,000
Marion County Convention and Recreational Facilities Authority (MCCRFA) Excise Taxes Lease Rental Revenue Refunding Senior Bonds, Series 2011 B, maturing June 1, 2022 to 2027, with interest at 5%.	20,010,000	20,010,000
Marion County Convention and Recreational Facilities Authority (MCCRFA) Excise Taxes Lease Rental Revenue Refunding Subordinate Bonds, Series 2011 A, maturing June 1, 2013 to 2027, with interest ranging from 4% to 5%.	204,965,000	205,045,000
Indianapolis Public Transportation Corporation General Obligation Bonds, Series 2012, maturing January 10, 2013 to 2017, with interest ranging from 4.10% to 5.13%.	3,000,000	
Marion County Convention and Recreational Facilities Authority (MCCRFA) Excise Taxes Lease Rental Revenue Refunding Senior Bonds, Series 2012 A, maturing June 1, 2014 to 2021, with interest ranging from 0.87% to 3.06%.	43,970,000	

NOTE 3 - LOANS TO QUALIFIED ENTITIES (CONTINUED)

	2012	**2011**
City of Indianapolis, Redevelopment District Tax Increment Revenue Bonds, Series 2012 A, maturing February 1, 2013 to August 1, 2020, with interest at 3.34%.	$ 2,715,000	
Indianapolis Airport Authority Refunding Revenue Bonds, Series 2012 A, maturing July 1, 2013 to 2019, with interest at 1.25%.	46,850,000	
City of Indianapolis, Economic Development District Taxable Special Program Refunding Bonds, Series 2012 I, maturing April 1, 2013 to 2030, with interest ranging from 0.6% to 3.6%.	7,690,000	
City of Indianapolis, Economic Development District Special Program Refunding Bonds, Series 2012 J, maturing April 1, 2013 to 2039, with interest ranging from 2% to 5%.	16,725,000	
City of Indianapolis, Economic Development District Revenue Bonds, Series 2012, maturing December 1, 2017, with interest at 2.7%.	7,500,000	
City of Indianapolis, Economic Development District Tax Increment Revenue Bond Anticipation Notes, Series 2012 A, maturing July 1, 2013, with interest at 1.55%.	15,200,000	
	4,469,975,788	4,573,818,260
Less: Unamortized discount/premium	(84,179,479)	(87,290,831)
	4,385,796,309	4,486,527,429
Less: Current Portion of Loans Receivable	(166,784,856)	(128,467,471)
Long-term Portion of Loans Receivable	$4,219,011,453	$4,358,059,958

Loans to qualified entities, registered to the Bond Bank, are either serial, term, or serial and term maturities.

NOTE 4 - BONDS AND NOTES PAYABLE

The Bond Bank's bonds payable at December 31, 2012 and 2011, are summarized as follows:

	2012	**2011**
Series 1992 B Bonds, maturing January 10, 2013 to 2020, with interest at 6%.	$ 15,780,000	$ 18,550,000
Series 1992 D Bonds, maturing February 1, 2013 to 2014, with interest at 6.75%.	30,510,000	44,010,000
Series 1993 A Bonds, maturing January 10, 2013, with yields on capital appreciation bonds at 6.3%.	6,365,000	12,730,000
Series 1995 A Refunding Bonds, maturing January 1, 2013 to July 1, 2013, with interest ranging from 5.3% to 6.5%. The carrying value of the debt represents the $10,880,000 and $21,095,000 of the Series 1995 A Refunding Bonds outstanding at December 31, 2012 and 2011, respectively, net of unamortized loss on defeasance of $0 and $178,034 at December 31, 2012 and 2011, respectively.	10,880,000	20,916,966

NOTE 4 - BONDS AND NOTES PAYABLE (CONTINUED)

	2012	2011
Series 1998 A Refunding Bonds, maturing February 1, 2013 with interest at 5.25%. The carrying value of the debt represents the $11,720,000 and $22,825,000 of the Series 1998 A Refunding Bonds outstanding at December 31, 2012 and 2011, respectively, net of unamortized loss on defeasance of $0 and $78,512 at December 31, 2012 and 2011, respectively.	$ 11,720,000	$ 22,746,488
Series 1999 E Refunding Bonds, maturing February 1, 2017 to 2029, yields on capital appreciation bonds ranging from 5.65% to 5.82%.	241,640,000	241,640,000
Series 2002 A Bonds, maturing January 1, 2013 to 2014, with interest at 5.5%. The carrying value of the debt represents the $12,570,000 and $19,730,000 of the Series 2002 A Bonds outstanding at December 31, 2012 and 2011, respectively, net of unamortized gain on defeasance of $6,029 and $23,211 at December 31, 2012 and 2011, respectively.	12,576,029	19,753,211
Series 2002 C Bonds, with interest ranging from 4.00% to 5.13%, refunded on February 15, 2012 by the Indianapolis Local Public Improvement Bond Bank Bonds, Series 2012 A, representing amounts maturing January 10, 2017.		3,300,000
Series 2002 E Bonds, with interest at 3.85%, matured February 1, 2012.		455,000
Series 2002 G Bonds, maturing February 1, 2013 to 2029, with interest ranging from 4% to 5%.	28,655,000	29,365,000
Series 2003 A Bonds, with interest ranging from 4.63% to 5.63%, refunded on December 20, 2012 by the Indianapolis Local Public Improvement Bond Bank Bonds, Series 2012 H, representing amounts maturing July 1, 2019.		93,515,000
Series 2003 B Bonds, maturing January 15, 2013 to 2023, with interest ranging from 3.75% to 5.00%.	8,065,000	8,640,000
Series 2003 D Bonds, maturing January 10, 2013 to 2018, with interest at 5.25%. The carrying value of the debt represents the $17,800,000 and $20,275,000 of the Series 2003 D Bonds outstanding at December 31, 2012 and 2011, respectively, net of unamortized loss on defeasance of $38,052 and $52,417 at December 31, 2012 and 2011, respectively.	17,761,948	20,222,583
Series 2003 E Bonds, maturing January 1, 2013 to 2019, with interest ranging from 3.7% to 5.0%.	10,700,000	12,085,000
Series 2004 B Bonds, with an interest rate adjusted weekly (see Note 8), refunded on December 20, 2012 by the Indianapolis Local Public Improvement Bond Bank Bonds, Series 2012 I, representing amounts maturing April 1, 2030.		9,400,000

NOTE 4 - BONDS AND NOTES PAYABLE (CONTINUED)

	2012	2011
Series 2004 C Bonds, with interest ranging from 4.00% to 5.38%, refunded on December 20, 2012 by the Indianapolis Local Public Improvement Bond Bank Bonds, Series 2012 J, representing amounts maturing April 1, 2039.		$ 19,070,000
Series 2004 E Bonds, maturing February 1, 2013 to 2028, with interest ranging from 4.3% to 5.4%.	$ 11,200,000	11,640,000
Series 2004 I Bonds, maturing January 1, 2013 to 2034, with interest ranging from 4.75% to 5.25%.	197,885,000	201,810,000
Series 2005 A Bonds, maturing January 15, 2013 to 2022 with interest ranging from 4.48% to 5.28%.	70,930,000	76,715,000
Series 2005 B Bonds, maturing January 1, 2023 to 2033, with interest ranging from 4.75% to 5.25%.	197,385,000	197,385,000
Series 2005 D Bonds, maturing January 1, 2013 to 2025, with interest ranging from 4.35% to 5.25%.	21,940,000	23,190,000
Series 2005 E Bonds, maturing January 1, 2013 to 2017, with interest ranging from 4% to 5%. The carrying value of the debt represents $50,020,000 and $50,070,000 of the Series 2005 E Bonds outstanding at December 31, 2012 and 2011, respectively, net of unamortized gain on defeasance of $312,950 and $435,074 at December 31, 2012 and 2011, respectively.	50,332,950	50,505,074
Series 2005 F Bonds, maturing January 1, 2013 to 2029, with interest ranging from 4% to 5%.	69,805,000	69,915,000
Series 2006 A Bonds, maturing January 1, 2016 to 2022, with interest at 5.5%.	77,830,000	77,830,000
Series 2006 B Bonds, maturing January 15, 2013 to July 15, 2021, with interest ranging from 4% to 5%.	11,760,000	12,795,000
Series 2006 D Bonds, maturing January 1, 2013 to 2026, with interest ranging from 4.25% to 5.00%.	39,450,000	40,515,000
Series 2006 F Bonds, maturing January 1, 2013 to 2037, with interest ranging from 4.70% to 5.25%.	304,575,000	305,255,000
Series 2006 G Bonds, maturing January 1, 2013, with interest at 5.59%.	5,135,000	17,545,000
Series 2006 H Bonds, maturing February 1, 2013 to 2026, with interest ranging from 4% to 5%.	9,085,000	9,570,000

NOTE 4 - BONDS AND NOTES PAYABLE (CONTINUED)

	2012	2011
Series 2007 B Bonds, maturing January 1, 2022 to 2025, with interest at 5.25%. The carrying value of the debt represents $70,410,000 and $70,410,000 of the Series 2007 B Bonds outstanding at December 31, 2012 and 2011, net of unamortized gain on defeasance of $115,040 and $126,002 at December 31, 2012 and 2011, respectively.	$ 70,525,040	$ 70,536,002
Series 2007 C (Indianapolis Colts, Inc. Project), maturing June 1, 2013 to 2035, with interest at 5.9%.	71,115,000	71,970,000
Series 2007 D, Refunding Bonds, maturing February 1, 2014 to 2018, with interest at 5%.	68,160,000	68,160,000
Series 2007 E, Refunding Bonds, maturing February 1, 2013 to 2021, with interest ranging from 4.00% to 4.13%. The carrying value of the debt represents $6,590,000 and $7,225,000 of the Series 2007 E Bonds outstanding at December 31, 2012 and 2011, respectively, net of unamortized gain on defeasance of $3,269 and $4,087 at December 31, 2012 and 2011, respectively.	6,593,269	7,229,087
Glendale Mall Taxable Bonds, 2007 G, maturing February 1, 2013 to 2027, with interest ranging from 5.64% to 6.21%.	4,765,000	4,970,000
Series 2007 K Bonds, maturing February 1, 2013 to 2023, with interest at 6.2%.	4,255,000	4,520,000
Series 2007 L Bonds, maturing January 1, 2013 to 2038, with interest ranging from 3.75% to 5.25%.	99,380,000	101,705,000
Series 2007 M Bonds, maturing January 15, 2013 to July 15, 2021, with interest ranging from 3.75% to 4.13%.	2,565,000	2,800,000
Series 2008 A Bonds, maturing February 1, 2013 to 2038, with interest ranging from 3.5% to 5.0%.	57,685,000	58,875,000
Series 2008 B Bonds, maturing January 15, 2013 to 2024, with interest ranging from 3.5% to 5.6%.	32,880,000	35,030,000
Series 2009 A Bonds, maturing January 1, 2013 to 2038, with interest ranging from 4.00% to 5.63%.	552,705,000	559,890,000
Series 2009 B Bonds, maturing February 1, 2015 to 2020, with interest at 5%.	145,780,000	145,780,000
Series 2009 C Bonds, maturing February 1, 2013 to 2015, with interest ranging from 2.71% to 3.80%.	10,635,000	15,705,000
Series 2009 D Bonds, maturing February 1, 2013 to 2026, with interest ranging from 3% to 5%.	9,940,000	10,240,000

NOTE 4 - BONDS AND NOTES PAYABLE (CONTINUED)

	2012	2011
Series 2009 F Bonds, maturing February 1, 2013 to 2017, with interest ranging from 3.50% to 5.03%.	$ 11,635,000	$ 14,350,000
Series 2010 A Bonds, maturing January 15, 2013 to 2040, with interest ranging from 4% to 6%.	195,000,000	195,000,000
Series 2010 B Bonds, maturing January 15, 2013 to 2040, with interest ranging from 2.00% to 6.12%.	465,580,000	465,580,000
Series 2010 C Bonds, maturing February 1, 2013 to 2025, with an interest rate at 5%.	6,337,967	6,695,601
Series 2010 D Bonds, maturing February 1, 2015 to 2025, with interest ranging from 3.00% to 5.13%.	17,375,000	17,375,000
Series 2010 E Bonds, maturing February 1, 2015 to 2035, with interest ranging from 2.60% to 5.15%.	5,045,000	5,045,000
Series 2010 F Bonds, maturing January 1, 2019 to 2040, with interest ranging from 4.13% to 5.00%.	159,515,000	159,515,000
Series 2010 L Bonds, remarketed October 1, 2012, maturing January 1, 2013 to 2037, bearing interest at a weekly rate, subject to swap agreement (see Notes 7 and 8).	345,970,000	350,000,000
Series 2011 A Bonds, maturing February 1, 2021 to 2036, with interest at 5.25%.	81,640,000	81,640,000
Series 2011 B Bonds, maturing February 1, 2015 to 2021, with interest ranging from 2.91% to 4.81%.	15,310,000	15,310,000
Series 2011 C Bonds, maturing February 1, 2013 to 2024, with interest ranging from 3% to 5%.	37,475,000	38,710,000
Series 2011 D Bonds, maturing June 1, 2013 to 2021, with interest ranging from 3% to 5%.	35,035,000	35,035,000
Series 2011 E Bonds, maturing January 1, 2013 to 2041, with interest ranging from 3.00% to 5.13%.	58,190,000	58,790,000
Series 2011 F Bonds, maturing February 1, 2015 to 2036, with interest ranging from 3.00% to 5.75%.	25,425,000	25,425,000
Series 2011 H Bonds, maturing January 1, 2013 to 2041, with interest at 3.58%.	16,445,000	16,570,000
Series 2011 I Bonds, maturing June 1, 2022 to 2027, with interest at 5%.	20,010,000	20,010,000
Series 2011 K Bonds, maturing June 1, 2013 to 2027, with interest ranging from 4% to 5%.	204,965,000	205,045,000

NOTE 4 - BONDS AND NOTES PAYABLE (CONTINUED)

	2012	2011
Series 2012 A Bonds, maturing January 10, 2013 to 2017, with interest at 2.05%.	$ 3,100,000	
Series 2012 B Bonds, maturing June 1, 2014 to 2021, with interest ranging from 0.87% to 3.06%.	43,970,000	
Series 2012 F Bonds, maturing February 1, 2013 to August 1, 2020, with interest at 3.34%.	2,715,000	
Series 2012 H Bonds, maturing July 1, 2013 to 2019, with interest at 1.25%.	46,850,000	
Series 2012 I Bonds, maturing April 1, 2013 to 2030, with interest ranging from 0.6% to 3.6%.	7,690,000	
Series 2012 J Bonds, maturing April 1, 2013 to 2039, with interest ranging from 2% to 5%.	16,725,000	
Series 2012 K Bonds, maturing December 1, 2017, with interest at 2.7%.	7,500,000	
	4,428,452,203	4,538,575,012
Plus/(Less): Deferred charges	(399,236)	(279,411)
	4,428,052,967	4,538,295,601
Less: Unamortized discount/premium	(30,667,066)	(27,342,792)
	4,397,385,901	4,510,952,809
Less: Current Portion of Bonds of Payable	(142,435,738)	(118,302,633)
Long-term Portion of Bonds Payable	$4,254,950,163	$4,392,650,176

All of the bonds issues listed above are either serial or serial and term maturities.

The Bond Bank's notes payable at December 31, 2012 and 2011, are summarized as follows:

	2012	2011
Series 2004 A–C, dated October 28, 2004, maturing February 1, 2013 to 2017, with interest at LIBOR.	$ 15,328,169	$ 19,228,169
Series 2007 A Notes, dated March 30, 2007, maturing January 1, 2013 to March 30, 2014, with interest at 4.78%.	3,113,652	3,222,476
Series 2007 D Notes, dated August 30, 2007, with interest at 1.53%, refunded on September 25, 2012 by the Indianapolis Local Public Improvement Bond Bank Bonds, Series 2012 F, representing amounts maturing August 1, 2020.		4,685,014
Indianapolis Public Transportation Corporation Notes of 2008, dated December 18, 2008, maturing December 18, 2013, with interest adjusted annually, not to exceed the LIBOR rate plus 125 basis points, as defined.	5,000,000	5,000,000

NOTE 4 - BONDS AND NOTES PAYABLE (CONTINUED)

	2012	2011
Series 2010 B Notes, dated August 9, 2010, maturing February 1, 2013 to August 1, 2030, with interest at 3.75%.	$ 2,980,000	$ 3,090,000
Series 2010 C Notes dated July 30, 2010, maturing July 30, 2015, with interest at 3.92%.	2,500,000	2,500,000
Series 2012 A Notes dated November 5, 2012, maturing July 1, 2013, with interest at 1.55%.	15,200,000	
	44,121,821	37,725,659
Less: Current Portion of Notes Payable	(24,583,118)	(8,803,838)
Long-term Portion of Notes Payable	$ 19,538,703	$ 28,921,821

The faith, credit and taxing power of the City of Indianapolis or any political subdivision thereof are not pledged to the payment of principal and interest on these obligations. However, certain series of Bond Bank bonds were fully insured at December 31, 2012 and 2011, by private insurance policies.

The Tax Anticipation Warrant Notes are separately secured and payable solely from a trust estate attributable to that series of notes. The trust estate includes investments pledged under respective note indentures such as the secured investment agreements (refer to Note 2). The note indentures also require maintenance of various accounts and provide for the trustee to invest funds according to guidelines established by the note indentures.

Scheduled principal payments due on bonds and notes payable outstanding at December 31, 2012, are summarized as follows:

Payable In	Principal	Interest	Debt Service
2013	$ 167,018,856	$ 191,235,800	$ 358,254,656
2014	165,935,295	190,452,828	356,388,123
2015	165,549,745	184,500,892	350,050,637
2016	176,248,910	177,252,107	353,501,017
2017	188,672,801	169,615,705	358,288,506
2018-2022	840,101,021	733,247,409	1,573,348,430
2023-2027	909,148,160	554,468,245	1,463,616,405
2028-2032	806,415,000	370,517,827	1,176,932,827
2033-2037	835,365,000	171,926,991	1,007,291,991
2038-2042	217,720,000	16,800,905	234,520,905
2043-2047			
	4,472,174,788	2,760,018,709	7,232,193,497
Less: Unamortized discount on bonds	(30,667,066)		(30,667,066)
	$4,441,507,722	$2,760,018,709	$7,201,526,431

NOTE 4 - BONDS AND NOTES PAYABLE (CONTINUED)

The Bond Bank's bonds and notes payable rollforward schedules at December 31, 2012 and 2011, are summarized as follows:

	BONDS	NOTES
Total Outstanding Debt 12/31/10	$ 4,612,149,791	$ 88,852,693
Total Additions 2011	505,476,085	30,428,418
Total Deductions 2011	(631,974,650)	(81,555,452)
Outstanding Debt	$ 4,485,651,226	$ 37,725,659
Add: Change In Unamortized Discount/Premium	25,301,583	
Total Outstanding Debt 12/31/11	$ 4,510,952,809	$ 37,725,659
Total Additions 2012	128,550,000	15,200,000
Total Deductions 2012	(238,792,633)	(8,803,838)
Outstanding Debt	$ 4,400,710,176	$ 44,121,821
Add: Change In Unamortized Discount/Premium	(3,324,275)	
Total Outstanding Debt 12/31/12	$ 4,397,385,901	$ 44,121,821

NOTE 5 - OPERATIONS

For 2012, the Bond Bank’s consolidated revenues exceeded expenses by $30K. For 2011, consolidated revenues exceeded expenses by $1.48 million. Those consolidated figures include all trust activity, whose revenues and expenses, primarily interest-related, depend solely on the timing and payment structure of the bond and note issues. Remove all trust activity, and the Bond Bank’s day-to-day operational division remains. The Bond Bank’s operations experienced overall net losses of $1.03 million and $26K in 2012 and 2011, respectively.

As stated in Note 1, the Bond Bank provides financial support to certain City of Indianapolis initiatives and properties. Amongst others, they include Develop Indy, which offers a number of strategic resources to make doing business in Indianapolis profitable; Indianapolis Downtown Inc. which develops, manages and markets downtown Indianapolis; Union Station which leases out space for a wide variety of purposes, including retail and office use; and the City Market, which serves as a community gathering place and one-stop shop for fresh produce, protein, dairy and baked goods.

The Bond Bank is able to help fund these initiatives, amongst others, with the revenue it generates via new issuance fees and its yearly continual fees, typically ten basis points on the outstanding debt balance of each bond or note issue at the beginning of the year. The fee revenue earned from those issues in which the City of Indianapolis serves as the qualified entity is offset by the monetary assistance it then provides back. In 2012, the financial support supplied to the four aforementioned initiatives and properties above exceeded the fee revenues earned from bond and note issues in which the City of Indianapolis is the qualified entity by $1.6 million. In 2011, the financial support exceeded fee revenues by $964K.

NOTE 6 - DEFEASED DEBT

The outstanding balance of defeased debt which is not included in the financial statements amounted to $182,540,000 as of December 31, 2012 and $588,925,000 as of December 31, 2011.

NOTE 7 – SWAP AGREEMENT

***Objective of the Swap*:** In order to protect against the potential of rising interest rates, the Bond Bank entered into one pay-fixed, receive-variable interest rate swap.

***Terms, Fair Values, and Credit Risk*:** The terms, including, the fair value and credit ratings of the outstanding swap as of December 31, 2012, are as follows. The notional amount of the swap matches the principal amount of the associated debt. The Bond Bank's swap agreement contains scheduled reductions to the outstanding notional amount that is expected to approximately follow scheduled or anticipated reductions in the associated "bonds and notes payable" category.

Associated Bond/Note Issue	*Notional Amounts*	*Effective Date*	*Fixed Rate Paid*	*Floating Rate Option*	*Fair Values*	*Swap Termination Date*	*Counterparty Credit Rating S&P/Fitch/ Moody's*
2010L – Indianapolis Airport Authority	$50,000,000	12/21/2010	3.786%	75% of USD-LIBOR-BBA	$ (13,802,008)	1/1/2033	A+/A+/Aa3

***Fair Value*:** Because interest rates declined, the swap had a negative fair value as of December 31, 2012. The negative fair value may be countered by reductions in total interest payments required under the variable-rate bond, creating a lower synthetic interest rate. Because the coupon on the Bond Bank's variable-rate bond adjusts to changing interest rates, the bond does not have a corresponding fair value increase.

***Credit Risk*:** As of December 31, 2012, the Bond Bank was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap becomes positive, the Bond Bank would be exposed to credit risk in the amount of the derivative's fair value.

The Bond Bank has executed swap transactions with various counterparties in the past. But as of December 31, 2012, one swap equaled 100% of the notional amount of swaps outstanding. It is held by one counterparty. That counterparty is rated A+/A+/Aa3.

***Interest Rate Risk*:** The Bond Bank is exposed to interest rate risk on its pay-fixed, receive-variable interest rate swap associated with its 2010L variable-rate debt. When LIBOR decreases, the Bond Bank receives a lower payout from the swap, and its net payments on the swap increase.

***Basis Risk*:** The Bond Bank is exposed to basis risk on the swap when the variable payment received is based on an index other than SIFMA. As of December 31, 2012, the SIFMA rate was 0.22%, whereas 1 month LIBOR was 0.21% and 5 year LIBOR was 0.83%.

Termination Risk: The Bond Bank or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If the swap is terminated, the associated variable-rate bond would no longer carry a synthetic interest rate. Also, if at the time of the termination, the swap has a negative fair value, the Bond Bank would be liable to the counterparty for a payment equal to the swap's fair value.

NOTE 7 – SWAP AGREEMENTS (CONTINUED)

Rollover Risk: The Bond Bank is exposed to rollover risk on the swap that matures or may be terminated prior to the maturity of the associated debt. When the swap terminates, the Bond Bank will not realize the synthetic rate offered by the swap on the underlying debt issue. The 2010 L is exposed to termination risk since the swap termination date precedes the debt maturity date.

Swap Payments and Associated Debt: As of December 31, 2012, debt service requirements of the Bond Bank's outstanding variable rate debt and net swap payments, assuming current interest rates remain the same, for their term are as follows:

Year Ending December 31	*Principal*	*Interest*	*Interest Rate Swaps, Net*	*Total*
2013		$ 537,067	$ 1,936,960	$ 2,474,027
2014		537,067	1,936,960	2,474,027
2015		537,067	1,936,960	2,474,027
2016		537,067	1,936,960	2,474,027
2017		537,067	1,936,960	2,474,027
2018-2022		2,685,333	9,684,800	12,370,133
2023-2027	$ 16,860,000	2,244,670	8,095,524	27,200,194
2028-2032	26,855,000	945,237	3,409,049	31,209,286
2033-2037	6,285,000	-	-	6,285,000
Total	$ 50,000,000	$ 8,560,575	$ 30,874,173	$ 89,434,748

NOTE 8 – VARIABLE RATE DEMAND BONDS

Included in long-term debt is $345,970,000 of Series 2010 L variable rate demand bonds maturing serially at various dates from January 1, 2013 and January 1, 2037. The bonds are payable solely from the revenues and assets pledged to the payment thereof pursuant to the Bond Trust Indentures. The redemption schedule for these bonds is included in the bond redemption schedule.

The bonds are subject to purchase on the demand of the holder at a price equal to principal plus accrued interest on seven days notice and delivery to the Bond Bank's remarketing agents, Wells Fargo, JP Morgan, Union Bank, and US Bank. The remarketing agents are authorized to use their best efforts to sell the repurchased bonds at a price equal to 100 percent of the principal amount by adjusting the interest rate.

The Bond Bank had entered into a SBPA with Dexia Credit Local to buy any bonds that were "put" back by the remarketing agents. If the bonds were Bank Bonds for a period of 180 days from the purchase date, the Bank Bonds converted to an installment loan payable over a seven-year period bearing an adjustable interest rate equal to the bank's rate per annum equal to (a) for the period from and including the Bank Purchase Date to and including the sixtieth day thereafter, the greater of (i) the Base Rate from time to time in effect and (ii) the maximum bond interest rate, (b) for the period from and including the date which is the sixty-first day immediately following the related Bank Purchase Date to and including the one hundred and eighth day, the Base Rate from time to time in effect plus 1.0%, and (c) from the one hundred and eighty-first day immediately following the Bank Purchase Date and thereafter, the Base Rate from time to time in effect plus 2%. Base Rate means, for any day, a rate per annum equal to the higher of (a) the Fed Funds Rate plus 0.50% per annum, and (b) the Prime Rate. The SBPA expired on June 25, 2011.

NOTE 9 - EMPLOYEE BENEFITS

If the SBPA was exercised because any portion of demand bonds were “put” and not resold, the bonds were subject to mandatory redemption in equal semi-annual principal installments plus interest, so that such bonds were paid in full within seven years. The Bond Bank was required to pay an annual fee to the SBPA provider. This fee was based on the outstanding principal amount of the bonds and credit rating of the bond insurer. The remarketing agents also received a fee based on the outstanding principal amount of the bonds.

Effective October 1, 2012, the Series 2010 L variable rate demand bonds were remarketed. As a result, a total of $345,970,000 was held as Bank Bonds, as of December 31, 2012. As of December 31, 2011 there were no bonds held as Bank Bonds.

The Bond Bank contributes to the Public Employees' Retirement Fund (PERF) of the State of Indiana, a multiple-employer public employee retirement system which acts as a common investment and administrative agent for State of Indiana employees and employees of the various subdivisions and instrumentalities of the State of Indiana. All employees of the Bond Bank may participate in this plan.

The Bond Bank's contributions to the Plan were $51,529 in 2012 and $44,277 in 2011. Separate information concerning the accumulated benefit obligations and actuarially determined benefit obligation is not material to the financial position of the Bond Bank and, accordingly, is not presented.

NOTE 10 - CONCENTRATION OF CREDIT RISK

The Bond Bank has loans to qualified entities, all of whom are located in Marion County, Indiana.

NOTE 11 – CITIZENS ENERGY GROUP TRANSACTION

On August 26, 2011, the City of Indianapolis closed on two Asset Purchase Agreements with Citizens Energy Group which resulted in the transfer of the City of Indianapolis’ Waterworks production and distribution systems, and wastewater collection and treatment systems to the Department of Public Utilities for the City of Indianapolis, d/b/a Citizen’s Energy Group (CEG), a public charitable trust. A portion of the consideration included in the asset purchase agreements was the assumption and subsequent funding by CEG of sixteen obligations of the qualified entity – the City of Indianapolis’ Sanitary District. The sixteen obligations included twelve State Revolving Fund (SRF) bonds, two Sanitary District bonds, and two Sanitary District notes. These obligations either did not have pre-payment penalties, or CEG deposited funds in escrow to pay the bonds as they mature in the future. Accordingly, obligations totaling approximately $525 million, related receivables from the qualified entity, unamortized bond issue costs, premium/discounts, accrued interest and restricted cash held in trust associated with these obligations were removed from the books of the Bond Bank in 2011.

Subsequent to the transaction, CEG became a qualified entity of the Bond Bank. Seven obligations totaling approximately $958 million remaining on the Bond Bank’s books, as of December 31, 2011, that had formerly been obligations of the City of Indianapolis’ Waterworks District were converted to the new qualified entity, Citizens Energy Group. In addition, six obligations involving the City of Indianapolis’ Sanitary District were excluded from the transaction. In most cases, the obligations include multiple qualified entities, including the Sanitary District.

NOTE 12 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 5, 2013, the date on which the financial statements were available to be issued.

In February 2013, the Bond Bank issued Series 2013 E Bonds in the amount of $7,665,000 to purchase the City of Indianapolis-Marion County Building Authority Arrestee Processing Center Lease Rental Refunding Revenue Bonds, Series 2013, the proceeds of which will be used to allow for the redemption of the City of Indianapolis-Marion County Building Authority Arrestee Processing Center Lease Rental Revenue Bonds of 2003. The bonds bear interest at 2.14%, and mature January 15, 2023.

In March 2013, the Bond Bank issued Series 2013 B Bonds in the amount of $61,305,000 to purchase the City of Indianapolis Taxable General Obligation Pension Refunding Bonds of 2013, Series A, the proceeds of which will be used to allow for the redemption of the City of Indianapolis Taxable General Obligation Pension Bonds of 2005, Series A. The bonds bear interest that varies between 0.79% and 2.47%, and mature January 15, 2022.

In April 2013, the Bond Bank issued Series 2013 A Bonds in the amount of $42,460,000 to purchase the 2013 A Qualified Obligations to be issued by the Indianapolis-Marion County Building Authority, the proceeds of which will be used to fund construction development of the Wishard Hospital Project. The bonds bear interest that varies between 3% and 5%, and mature January 15, 2040.